

Message Text

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ACTION AID-31

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FM AMEMBASSY KATHMANDU

TO SECSTATE WASHDC 7554

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C O N F I D E N T I A L KATHMANDU 0650

R.O. 11652: GDS

TAGS: EAID, NP, US

SUBJECT: PROPOSAL FOR FUNDING ROADS PROJECTS

REF: A. STATE 19405

B. STATE 26261

1. ON FEBRUARY 12 I CALLED ON FOREIGN AND FINANCE MINISTER KARKI TO BRIEF HIM ON WASHINGTON'S CURRENT THINKING WITH RESPECT TO FUNDING OF ROADS PROJECTS IN NEPAL DRAWING ON REFTELS A AND B. AID DIRECTOR IDE HAD EARLIER MADE DETAILED PRESENTATION TO FINANCE MINISTRY JOINT SECRETARY PANDE (KATHMANDU 0483).

2. I INFORMED KARKI OF USG DECISION TO FINANCE WESTERN HILLS ROAD WITH GRANT RUPEES RATHER THAN DOLLAR LOAN. I INDICATED THAT PREVIOUS UNCERTAINTIES ABOUT AVAILABILITY OF IC HAD NOW BEEN OVERCOME AND THAT WE WERE PLEASED TO BE ABLE TO CONTINUE FINANCING OF WESTERN HILLS ROAD ON SIMILAR GRANT BASIS TO THAT WHICH HAD EXISTED IN PAST.

2. I ADDED THAT IN VIEW OF SHORTAGE OF DOLLARS AVAILABLE FOR LOAN PURPOSES GRANT FOR WESTERN HILLS WOULD ENABLE US TO MAKE USE OF LOAN DOLLARS FOR SURKHET ROAD. WITH RESPECT TO THAT PROJECT WE PROPOSED TO COVER 75 PERCENT OF TOTAL COSTS THROUGH \$7.3 MILLION LOAN AND UP TO \$3.4 MILLION EQUIVALENT IC GRANT. WE VERY MUCH HOPED THAT THIS FINANCING CONCEPT WOULD BE ACCEPTABLE TO HMG AND THAT GON WOULD TAKE PROMPT DECISION IN PRINCIPAL ON THESE TWO
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PROJECTS. I ASKED THAT HE AUTHORIZE THE APPROPRIATE OFFICIALS OF

THE FINANCE MINISTRY TO ENGAGE IN DETAILED DISCUSSIONS WITH OUR AID MISSION AS SOON AS POSSIBLE, NOTING NEED TO MAKE AUTHORIZATION THIS FY FOR SURKHET FINANCING.

3. KARKI RESPONDED BY EXPRESSING HIS PLEASURE AT USG DECISION TO FINANCE SURKHET ROAD. HE SAID THIS WAS SUBJECT OF GREAT INTEREST TO HIS MAJESTY WHO HAD DISCUSSED IT WITH HIM DURING RECENT VISIT TO SURKHET. HE WOULD REPORT USG DECISION TO HIS MAJESTY IMMEDIATELY. KARKI EXPRESSED HOPE THAT WE WOULD BE ABLE TO COMPLETE SURKHET ROAD IN ADVANCE OF 1980 TARKET DATE OR AT VERY LEAST WOULD BE ABLE TO MAKE ROAD OPEN FOR LIMITED TRAFFIC EARLIER THAN 1980. I INDICATED THIS WAS ESSENTIALLY A TECHNICAL SUBJECT, BUT IT SEEMED LIKELY THAT, AS IN OTHER ROAD PROJECTS, AT LEAST LIMITED TRAFFIC WOULD BE POSSIBLE OVER MUCH OF THE ROUTE WELL IN ADVANCE OF COMPLETION. KARKI ALSO SUGGESTED THAT WE EXPLORE POSSIBILITY OF DEVELOPING HORTICULTURE ALONG THE ROAD. HE URGED THAT THIS BE DONE AT EARLY DATE SO THAT HORTICULTURE PRODUCTION WOULD BE PHASED WITH OPENING OF ROAD. HE SAID THIS WAS WHAT WAS BEING DONE IN DANKHUTA IN CONNECTION WITH DEVELOPMENT OF BRITISH ROAD FROM DHARAN. IN INDICATED THAT THIS IDEA CERTAINLY HAD MERIT AND WOULD DESERVE FURTHER STUDY. I, OF COURSE, MADE NO COMMENT AS TO POSSIBLE USG FINANCING. CARGO

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